Liggett & Myers stockholders' meeting told cigarette industry isn't in jeopardy

DURHAM, N. C.—Cigarettes sales of Liggett & Myers, Inc., are reported declining slightly, but a corporation statement reported that the industry is not jeopardized. L&M has a cigarette factory, its operations center, research center, leaf storage warehouses, blending and printing plants in Durham.

A proxy statement released to shareholders in advance of a special meeting in Durham Dec. 3 said:

"The decline in net earnings for the year ended Dec. 31, 1965, resulted from the decline in Liggett's sales of cigarettes. After 1965, the effect of the continuing decline in cigarette sales on net earnings of Liggett has been offset by increased earnings of non-tobacco subsidiaries."

It was further pointed out in the statement that, "based upon unit production of cigarettes in the United States between 1963 and 1967, Liggett's share of cigarette production declined from approximately 11 per cent to approximately eight per cent. Extensive advertising is conducted by Liggett with respect to several cigarette brands. Aggregate advertising expenditures may vary from year to year with a consequent effect on net earnings."

• **Data presented** – No L&M brands ranked in the top 10, according to John C. Maxwell Jr.'s annual study of cigarette consumption for *Marketing Communications*, a trade publication. But he pointed out that his survey indicated a 1.3 per cent increase in tobacco consumption compared to last year. He attributed the increase largely to women smokers.

Although consumption has edged ahead this year, inventories have slackened, probably due to introduction of new brands, Mr. Maxwell said. Government figures substantiate his contention that production has experienced a slight decrease.

Cigarette sales were "hurt", the L&M spokesman stated, but he added that the decrease was "not a lot." He noted that many opinions are that action by the Federal Communications Commission "is the primary factor." The commission has ruled that the Fairness Doctrine is applicable to cigarette advertising, which means that all licensed television and radio stations must afford a significant amount of time for presentation of anti-tobacco views.

Legality of the ruling and its jurisdiction over product advertising is now being tested in court by interested parties, including the Tobacco Institute, of which Liggett is a member.

• **Diversification** – Tobacco products manufacturing is about 76 per cent of the L&M corporation activities. In 1964, to diversify the operation, Liggett acquired pet food, alcoholic beverage, cereal and watchband businesses.

A financial statement by L&M last week said the company's third quarter earnings rose to US$7 million, or 89 per cent per share, from US$6.2 million, or 77 cents a share, for the same period in 1967. The report said that gains were primarily due to an increase in liquor sales and inclusion of results of National Oats Company, acquired in September 1967.

The spokesman said "the industry will not have the big sales in the future it has had in the past."

L&M is the fifth largest of the six major tobacco manufacturing companies.—HAD.

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